

## Message Text

CONFIDENTIAL

PAGE 01 SAIGON 08463 01 OF 02 261211Z

46

ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 IO-03 SP-01 L-02

PM-03 OMB-01 EB-03 AID-10 EUR-10 NEA-06 DPW-01

CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00 TRSE-00 PRS-01

DRC-01 /088 W

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P 261000Z JUN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 6198

INFO AMEMBASSY BUDAPEST PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY WARSAW PRIORITY

AMEMBASSY TEHRAN PRIORITY

USDEL JEC PARIS PRIORITY

C O N F I D E N T I A L SAIGON SECTION 1 OF 2 SAIGON 8463

LIMDIS

E.O. 11652: GDS

TAGS: MARR, VS, AFIN

SUBJ: ICCS FINANCES: REIMBURSEMENT TO DELEGATIONS

REF: SAIGON 8406

1. ICCS WILL HOLD CONSULTATIONS JUNE 26 ON DELEGATION REIMBURSEMENT AND OTHER MATTERS. ALL REPEAT ALL DELEGATIONS HAVE EXPRESSED CONCERN TO EMBOFFS ABOUT FINANCIAL HARDSHIPS TO THEIR NATIONS AS RESULT OF TAKING ON ICCS COMMITMENT.

2. NEWLY RETURNED IRDEL AMBASSADOR SADRY TOLD EMBOFF JUNE 21 THAT IT WOULD BE VERY DIFFICULT POLITICALLY FOR THE ICCS TO PAY ONLY CONTRACTORS, LEAVING REIMBURSEMENT TO DELEGATIONS AS A MOUNTING DEBT. HE CITED CASE HIS OWN DELEGATION. GOI HAD PROVIDED DELEGATION WITH FUNDS EQUAL TO 2 PERCENT OF BUDGET OUT OF WHICH DELEGATION PAYS FOOD SUPPLEMENT TO DELEGATION MEMBERS AND, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SAIGON 08463 01 OF 02 261211Z

IN PART, ROTATION AND TRAVEL COSTS. THIS AMOUNT, THEREFORE,

COVERS ONLY FOUR OR FIVE MONTH PERIOD, AND FUNDS CURRENTLY ARE BEING EXHAUSTED.

3. INDODEL TAKES SAME POSITION AS IRANIANS ON NECESSITY OF SOME REIMBURSEMENT TO DELS. NOT SURPRISINGLY, POLES AND HUNGARIANS HAVE NOT RESPONDED WELL TO ARGUMENTATION THAT DELEGATION REIMBURSEMENT MUST AWAIT CONTRIBUTION FROM DRV AND "PRG", FOLLOWING HANOI ARGUMENT THAT DRV/"PRG" FAILURE TO CONTRIBUTE DIRECTLY CONNECTED WITH FAILURE OF USG TO LIVE UP TO ARTICLE 21 AS REASON.

4. SADRY, OF COURSE, IS COMPLETELY CORRECT WHEN HE POINTS OUT THE POLITICAL LIABILITY TH USG IS ASSUMING IF WE PERSIST IN TYING U.S. CONTRIBUTIONS SOLELY TO REIMBURSEMENT OF U.S. CONTRACTORS. WE HAVE REPEATEDLY MADE SAME POINT TO DEPT. NOR DOES IT REALLY ADVANCE U.S. INTERESTS TO KEEP DWELLING INTERNALLY ON OBVIOUS FACT THAT PRESENT FINANCIAL CRISIS ARISES SOLELY OUT OF FAILURE OF DRV/"PRG" TO MAKE PROMISED CONTRIBUTIONS. WHILE THIS IS POINT THAT WE SHOULD DRIVE HOME IN DUDAPEST AND WARSAW, AND, TO LESSER EXTENT, EMPHASIZE IN TEHRAN AND JAKARTA, WE SHOULD OURSELVES SQUARELY FACE UP TO FACT THAT HANOI ATTITUDES UNLIKELY TO CHANGE IN NEAR FUTURE.

5. FOR WHAT IS NOW INVOLVED IS FACT THAT HANOI IS GETTING NOWHERE IN ITS EXPECTATION THAT AFTER WITHDRAWAL OF AMERICAN FORCES LAST YEAR THE RVN WOULD DISINTEGRATE POLITICALLY AND MILITARILY. ACTUALLY, WHAT HAS HAPPENED HAS BEEN THE REVERSE OF THE EXPECTED SCENARIO. THE GOVERNMENTAL STRUCTURE OF THE RVN IS MORE FIRMLY GROUNDED ON A BASIS OF POPULAR SUPPORT THAN EVER BEFORE. MILITARILY, THE GVN HAS NOT ONLY HELD ITS OWN BUT HAS SEVERELY MAULED THE NVA FORCES IN THE FIGHTING THAT HAS TAKEN PLACE, AT AN INCREASING TEMPO, SINCE THE SIGNATURE OF THE AGREEMENTS. THEREFORE, HANOI STRATEGY IS NOW OBVIOUSLY TO FORCE THE DISSOLUTION OF THE MACHINERY SET UP UNDER THE PARIS AGREEMENTS, PRESS FOR EITHER A RESUMPTION OF THE KISSINGER-LE DUC THO MEETINGS OR A CONVOKING OF THE PARTIES TO THE AGREEMENT, HOPING THROUGH THE TURMOIL OF SUCH DEVELOPMENTS TO SECURE AT THE CONFERENCE TABLE WHAT THEY HAVE BEEN UNABLE TO ACHIEVE POLITICALLY OR MILITARILY ON THE GROUND IN SOUTH VIET-NAM IN THE LAST SEVENTEEN MONTHS. THE DISSOLUTION OF THE ICCS IN A MORASS OF CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SAIGON 08463 01 OF 02 261211Z

FINANCIAL BANKRUPTCY, HIGHLIGHTING THE ROLE OF U.S. CONTRACTING FIRMS WHICH HAVE ABSORBED MOST OF THE ICCS COSTS, WOULD OBVIOUSLY ADVANCE SUCH A STRATEGY.

6. WHATEVER THE FAILURES OF THE ICCS MACHINERY TO WORK AS ENVISAGED IN THE PARIS AGREEMENTS, ITS DEMISE UNDER SUCH CIRCUMSTANCES WILL BE A POLITICAL VICTORY FOR HANOI AND A POLITICAL DEFEAT FOR THE U.S. WITH ALL ITS OBVIOUS DEFECTS ITS

CONTINUED EXISTENCE IS NOT ONLY CLEARLY INHIBITING TO HANOI'S MILITARY ACTION, BUT ALSO A POLITICAL AND PROPAGANDA LIABILITY TO HANOI. IT IS CLEARLY IN USG INTEREST TO KEEP IT AFLOAT. THEREFORE, OUR FOCUS SHOULD SIMPLY BE ON WHAT IS REQUIRED TO ACCOMPLISH THIS. WE HAD PREVIOUSLY INFORMED DEPT. THAT THE SUM OF 6.2 MILLION WOULD BE NEEDED IN THE LAST QUARTER OF FY74 FOR ESSENTIAL CONTRACTUAL SERVICES ALONE. DELEGATION REIMBURSEMENT FOR THE PERIOD APRIL 1, 1974-JUNE 30, 1974 AMOUNTS TO \$1.8 MILLION FOR A TOTAL REQUIREMENT OF \$8 MILLION. AND, AS FAR AS WE CAN DETERMINE, THERE ARE NO FIRM PLANS THAT WILL ASSURE THE REQUISITE FINANCING AFTER JULY 1 FOR THE FIRST QUARTER OF FY 75.

7. WE HAD CONSIDERED SUGGESTING DEPT. INSTRUCT OUR EMBASSIES IN TEHRAN AND JAKARTA APPROACH FOREIGN OFFICES WITH REQUEST FOR RESTRAINT ON MATTER OF DELEGATION REIMBURSEMENT PENDING CONTRIBUTIONS FROM OTHER PARTIES.

CONFIDENTIAL

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PAGE 01 SAIGON 08463 02 OF 02 261140Z

46

ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 IO-03 SP-01 L-02

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P 261000Z JUN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 6199

INFO AMEMBASSY BUDAPEST PRIORITY

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USDEL JEC PARIS PRIORITY

C O N F I D E N T I A L SAIGON SECTION 2 OF 2 SAIGON 8463

LIMDIS

8. WE HAD ALSO CONSIDERED SUGGESTING THAT EMBASSIES WARSAW AND BUDAPEST SHOULD BE ASKED TO MAKE FURTHER REPRESENTATIONS TO FOREIGN OFFICES, CITING FINANCIAL DIFFICULTIES OF ICCS WHICH ARE

BASED ON NON-PAYMENT BY DRV AND "PRG". WE SHOULD POINT OUT THAT WHATEVER APPROACHES HUNGDEL AND POLDEL HAVE PERHAPS MADE TO DRV AND "PRG" HAVE BEEN INEFFECTIVE AND THAT THE TWO DELEGATIONS APPEAR INTENT EITHER UPON SABOTAGING THE ICCS BY WITHHOLDING FINANCIAL SUPPORT OR UPON HAVING THE ICCS BECOME ENTIRELY DEPENDENT UPON THE U.S. FOR FINANCIAL SUPPORT. IN ANY CASE, HUNGARY AND POLAND SHOULD BE MADE AWARE THAT THE U.S. IS ATTEMPTING TO KEEP THE ICCS AFLOAT BY DESIGNATION OF ITS CONTRIBUTION FOR PAYMENT OF ESSENTIAL CONTRACTUAL SERVICES AND NOT FOR PAYMENT OF DELEGATION COSTS AND ASK WARSAW AND BUDAPEST TO UNDERSTAND THE U.S. POSITION AND TO WITHDRAW THEIR PRESSURE ON SECRETARIAT FOR REIMBURSEMENT UNTIL DRV AND "PRG" COME FORWARD WITH THEIR CONTRIBUTIONS, POINTING OUT THAT SHOULD THEY DEMUR, IT BECOMES OBVIOUS THEY ARE COOPERATING WITH DRV"PRG" ATTEMPTS TO SCUTTLE ICCS THROUGH FINANCIAL STRANGLE HOLD.

CONFIDENTIAL

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PAGE 02 SAIGON 08463 02 OF 02 261140Z

9. WE HAD ALSO CONSIDERED ATTEMPTING BY SUGGESTING IN ALL FOUR CAPITALS THAT MORE FUNDS BE MADE AVAILABLE TO THE DELEGATIONS IN SAIGON PENDING FURTHER CONTRIBUTIONS FROM THE OTHER PARTIES.

10. WE CONCLUDED, AFTER THOROUGH CONSIDERATION, THAT SUCH AN APPROACH WOULD, BEYOND ANY DOUBT, REINFORCE TENDENCIES IN ALL FOUR CAPITALS TO FIND WAYS TO EXTRICATE THEMSELVES FROM TASK WHICH, INCREASINGLY, IS NOT ONLY OF NO DIRECT BENEFIT, BUT WHICH RUNS INCREASING RISK OF DAMAGING BILATERAL RELATIONSHIP WITH US AND WITH OTHER MAJOR POWERS. WE DO NOT, THEREFORE, SO RECOMMEND.

11. WHAT WE DO RECOMMEND IS THAT:

(A) EVERY EFFORT BE MADE TO SECURE IN THE FEW REMAINING DAYS OF THE FISCAL YEAR THE BALANCE OF THE AMOUNT WE ORIGINALLY INFORMED DEPT. WOULD BE NEEDED IN THE CURRENT QUARTER. THIS WOULD REQUIRE AN ADDITIONAL \$4.5 MILLION.

(B) THAT WE RECOGNIZE THAT THE TIME REQUIRED FOR THE AUTHORIZING AND APPROPRIATION PROCESS FOR THE REQUESTED APPROPRIATION TO THE DEPT. FOR THE ICCS COSTS CANNOT POSSIBLY BE ENACTED IN TIME TO AVOID REAL CRUNCH IN JULY.

(C) AND THAT WE RE-EXPLORE THE RECOMMENDATIONS PREVIOUSLY MADE THAT THE AMERICAN CONTRACTOR COSTS BE SUBSUMED UNDER OTHER ONGOING CONTRACTS THE USG HAS WITH THESE SAME FIRMS. THERE IS NO REPEAT NO LEGAL BAR TO SUCH ACTION, ONLY A NORMAL BUREAUCRATIC REACTION THAT, AFTER ALL, THIS IS SOMEONE ELSE'S BABY. THIS IS QUITE TRUE, BUT IT IS THE USG'S BABY AND SINCE THE STAKES ARE VERY HIGH, AND SINCE WHAT WE RECOMMEND CAN REPEAT CAN BE DONE, THIS PROBLEM CAN AND OUGHT TO BE SOLVED IMMEDIATELY.

MARTIN

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## Message Attributes

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